Profile for Growth

Standard Brands Limited Annual Report 1975

AR20

CONTENTS

3 The Year in Brief
4 Report on behalf of the Board
7 Brand Identity
9 Advertising
11 Packaging
13 Standard Brands Food Company—
Consumer Foods Division
15 Standard Brands Food Company—
Dr. Ballard's Pet Foods Division
17 The Fleischmann Company—Industrial Division
17 Standard Brands Food Service Division
19 Lowney's Limited
21 Wine and Spirits Division
22 5 Year Summary
23 Auditor's Report
24 Consolidated Balance Sheet
26 Consolidated Statement of Income and Retained Earnings
27 Consolidated Statement of Changes in Financial Position
28 Notes to Consolidated Financial Statements
30 Board of Directors
31 Corporate Officers

The year in brief

1975 was another record year for Standard Brands Limited. Sales rose 10.9% to a high of nearly $280 million, while net income improved 18% to more than $10 million. Shareholders' equity improved by nearly 11% to $90,843,000. Capital expenditures in excess of $5,000,000 were used to expand production facilities and improve quality.

	1975	1974
	Thousands of Dollars	
Sales	$279,994	$252,394
Less: Sales and Excise Taxes	31,499	27,307
Net Sales	248,495	225,087
Income Before Taxes	17,840	15,833
Extraordinary Items	700	386
Income Taxes	8,034	7,316
Net Income	10,506	8,903
Working Capital	28,597	24,209
Plant and equipment (net)	41,632	40,753
Capital expenditures	5,355	6,439
Long-term debt	6,961	10,945
Shareholders' equity	90,843	82,011

Distribution of sales dollar for the year ended December 31, 1975

49% Materials
22% Other Operating Expenses
15% Income, Sales & Excise Taxes
13% Paid to Employees
4% Net Income
1% Depreciation

"The Board of Standard Brands Limited thanks all of those involved for their contribution during another record year for the Company."

The strong growth in sales and earnings continued for Standard Brands Limited during 1975.

Sales reached a record level of $279,994,000, for an increase of $27,600,000 or, 11% over 1974. Net income rose 18% to $10,500,000 during the same period. In the five years since 1971, sales of Standard Brands Limited have almost doubled.

There are many reasons for this outstanding performance but, the most important are the results-oriented philosophy within the Company and the strength of brand name products offered for sale through various market channels. The consumer franchise of key products was given a major thrust during 1975 as we increased our advertising commitments substantially. Many programmes, such as our involvement in the support of amateur sports, were intensified with the approach of the Olympics in Montreal. Major support was given to the launching of Fleischmann's Egg Beaters nationally, and the reinforcing of the quality image of Fleischmann's Corn Oil Margarine.

Dr. Ballard's Pet Foods were also provided with substantial advertising back-up, as Standard Brands Limited became one of Canada's major TV advertisers, due to co-sponsorship of pre-Olympic and Olympic telecasts on the CTV network.

Fleischmann's Yeast and Magic Baking Powder continue to be extremely popular with the Canadian homemaker. Additional support for these products has been provided by the new "Kitchens of Standard Brands" concept. These portable demonstration units in major supermarkets throughout the country, show food customers how to use our products in practical, nutritious recipes. We also acquired "The Tea" in 1975. This fine product should enhance our quality brand image in this important segment of the beverage market.

The Wine and Spirits Division had significant growth, as our brands outpaced the market. Calona Wines' Sommet Rouge and Sommet Blanc became dominant factors in the Canadian table wine market, and won recognition at the 18th International Monde Selection in Brussels in competition with wines from many other countries. The awards are indicative of the progress being made by Calona in developing premium table wines for Canadians.

There are encouraging signs that the confectionery market is recovering much of the strength lost in the past few years because of spiralling raw material costs and slackening consumer demand. Lowney's Limited, our Confectionery Division, enjoyed market share gains in chocolate bars, boxed chocolates and nuts. Pot of Gold chocolates had an excellent sales year, backed by its first major advertising program in several years. Well-known personalities, such as Liberace and Bobby Orr, were used effectively to strengthen consumer awareness and appeal of our products.

During 1975, more than one million dollars was invested to improve the manufacturing facilities and quality control labora-

tories of The Fleischmann Company, which manufactures the majority of the nation's yeast. Cleanliness and extreme care in the manufacturing and distribution of yeast is of paramount importance, and these expenditures will assure the highest standards possible.

Our major new facility for 1975 was the 117,500 square foot plant for Moirs products in Dartmouth, Nova Scotia. This multi-million dollar facility was officially opened October 20 by the Premier of Nova Scotia, The Honourable Gerald Regan, and it is now fully operational. We also consolidated our nut manufacturing in Toronto, and improved warehousing capacity for our Wine and Spirits Division in Western Canada.

Over the past few years, we have gone through a reorganization of our plants and facilities. New objectives have been established and our newly-acquired companies have been blended in with the Standard Brands family. It is interesting to note that, with all this activity, we have essentially the same number of people today as in 1971, in spite of the fact that we have doubled our sales.

It is our policy to delegate profit responsibilities to each operating division, while retaining centralized control over Finance, Administration, Technical and Engineering services. This policy encourages the day-to-day market awareness needed for success in the fast-moving consumer product businesses. It also provides to each operating company of Standard Brands, an overall cohesion in areas of common concern, so that they may operate effectively and profitably in the industries in which they participate, without interference from a centralized, bureaucratic structure.

On February 2, 1976, Thornton Lounsbury was appointed Vice-President Administration of Standard Brands Limited. On July 1, 1975, Bernard Sarrazin was appointed Vice-President Personnel and Industrial Relations of the Company. Peter Winstanley joined the Company as Treasurer on November 3, 1975. In addition, Mr. Simon Gulden was retained as General Counsel to further strengthen our corporate organization, pending the retirement of our Corporate Secretary, Mr. Pierre Bachand.

During 1975, the following new directors were appointed:—

Mr. C. Richard Sharpe,
Vice President Merchandising
of Simpsons-Sears Limited;

Mr. Vernerd J. Housez,
President of Standard Brands
Food Company and;

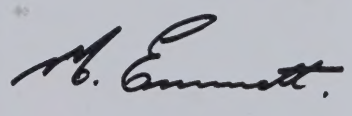
Mr. John R. MacDonald,
President of Standard Brands
Wine and Spirits Division.

Mr. Frank S. D'Alessandro, a director of our company for five years, retired in January 1975. His sound advice and counsel will be missed by all of us.

We are pleased with the performance of Standard Brands Limited in a year that became increasingly difficult for the food processing industry. During the year, wage settlements reached an all-time high but fortunately, this was accompanied by a moderate decline in commodity costs. The Consumer Price Index increased 10.8% during 1975 and, while the increase has abated somewhat in recent months, inflation will continue to be the nation's number one problem.

On October 14, 1975, wage and price regulations were announced in Canada for the first time since the Second World War. While the manner in which the regulations have been written is extremely complex, we shall ensure that Standard Brands Limited will comply with the legislation. To date, many of the labour unions have declared their intentions to ignore the regulations and, of course, success of the total programme will be contingent on compliance by all sectors.

1975 was another record year for the Company. It was due to many things: suppliers who were conscientious and reliable; our customers who continued to be responsive to our products; and, of course, our 3,315 employees who made outstanding performance the rule. The Board of Standard Brands Limited thanks all of those involved for their contribution during the year.



President
Standard Brands Limited

Fleischmann's
egg beaters
TO OPEN
How to use Egg Beaters
Fleischmann's®
egg beaters T.M.
Egg Substitute
8 Fl. Oz. 227 ml
Contains corn oil—no egg yolk.

Some of our best known brand names are less than two years old.

The success of Standard Brands Limited comes from the quality reputation and consumer awareness of its more than 725 registered trade marks.

Every division has its stars: product names that are as familiar as place names in Canada.

Fleischmann's is synonymous with yeast and corn oil margarine to homemakers and bakers across the country.

Magic Baking Powder has helped four generations of cooks create tasty biscuits, cakes and cookies.

If a hot beverage is called for, our Chase & Sanborn coffee or Tender Leaf Tea are favourite choices. Lyons Tea, "The Tea that dares to be known by good taste alone", has now become another famous Standard Brands trade mark.

What's in a name? If it's a Standard Brands name, it must represent quality, good taste, reputation and value. And it must stand the test of time. Products like Blue Bonnet Margarine, Royal Desserts and Chipits have been steady sales winners for the Company.

In 1975, Fleischmann's Egg Beaters were distributed nationally for the first time. This new product was also advertised extensively on television and in newspapers. Today, sales of Fleischmann's Egg Beaters are growing rapidly.

We have trade marks aimed at the market channels. Our pet foods, like Burgerbits, Dr. Ballard's Champion, Top Breed and Miss Mew, are good-sounding names. And Dr. Ballard's is the most popular pet food name in the country.

In our Wine and Spirits Division, we have more than 219 registered trade marks alone. There are Canadian names like Acadian, McGuinness, Captain's Table and Lord Simcoe. Imported names like Wyborowa Vodka, Old Forester Bourbon and Vat "69" Scotch.

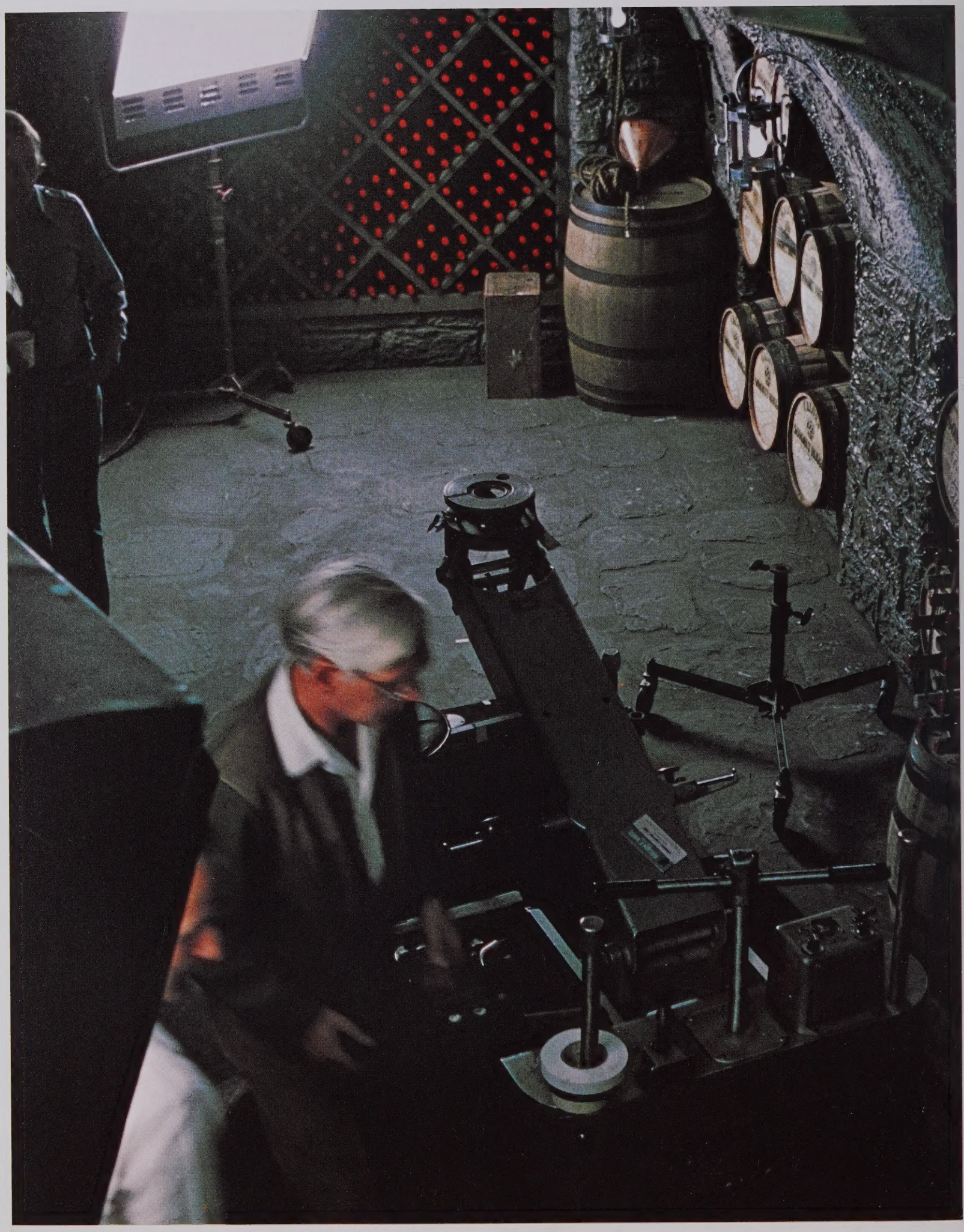
Less than two years ago, Sommet Rouge and Sommet Blanc domestic wines from Calona Wines Limited, were brand new. Today, Sommet Rouge is one of the largest selling domestic red wines in Canada.

When Canadians entertain, chances are they will serve Planters nuts.

Even though chocolate bars have risen in price, Oh Henry! sales are still growing. And, of course, Cracker Jack is known to youngsters of all ages.

At Standard Brands, we go to market through a variety of channels. The company's success in gaining market share increases depends on the brand names that appear on the grocery shelves, television screens, newspaper and magazine pages of the country.

We're known by our brands at Standard Brands . . . all 725 of them.



Our advertising, like our products, must always be in good taste.

Have you seen our new TV spot for Sommet Rouge table wine?

Or the McGuinness newspaper ads inviting everyone to ride free on public transportation New Year's eve?

Who could forget "Big Red" the talented tabby who opens cans of Dr. Ballard's with an electric can opener? In Chatelaine, full colour advertisements proved the lightness of Planters Peanut Oil by showing how it floated on other oils.

Just before Christmas, you probably joined millions of other Canadian viewers who saw Liberace, in all of his sartorial splendour, act as spokesman for Moirs Pot of Gold chocolates.

It is almost impossible to watch television, listen to radio or read your favourite newspaper or magazine without seeing a creative, tasteful advertising message for one of Standard Brands' products.

In 1975, the various divisions of Standard Brands embarked on the most extensive advertising support programmes in the company's history. It was a multi-media exposure planned to inform Canadian consumers by the millions of the benefits and value of the company's products.

Well-known personalities such as Liberace, Bobby Orr and Karen Magnussen appeared on TV and in newspaper ads on behalf of our products. Some of our brands had not been advertised in several years, and the advertising support produced sales results. Pot of Gold chocolates, Oh Henry! chocolate bars, food products and our new Calona Wines brands benefitted greatly.

The company's close association with family fitness and dietary concern took on a major new dimension with our purchase of one-quarter sponsorship of the 1976 Winter and Summer Olympics television coverage—the largest single participation by any company.

There was also a great deal of emphasis on public service programmes as part of our advertising expenditures. In the summer of 1975, Standard Brands sponsored a thirty minute documentary titled "The Shape of the Nation." This film was financed by Standard Brands and produced under the guidance of Participaction, Canada's government sponsored movement for personal fitness. In addition to the national coverage on the full CBC network, Flesichmann's Corn Oil Margarine and Egg Beaters also provided 500,000 booklets summarizing the value of family fitness, and provided these without charge across the country.

Many other Standard Brands products have also become television stars. Dr. Ballard's pet foods are featured in a new series of commercials now appearing in Canada. Planters Nuts and Planters Peanut Oil are also receiving increased advertising support.

Every Standard Brands advertising message, whether on TV, radio or in print, is created to inform the consumer of real benefits, and is done in good taste. We believe that advertising can be fun, informative and memorable. Many of the commercials produced for Standard Brands by our Canadian agencies have received awards for creative excellence. In 1976 look for us on your favourite channel.

Pine Tree
Roasted Peanuts
Arachides rôtis

In a self-serve industry, our packages must stand out from the crowd.

Every year the Canadian food industry becomes more automated. The average shopper passes by more than 300 items a minute and spends less than 25 minutes in the store.

A package that is bright, well-designed and attractive, will stand out. Products that have dull, busy and routine packaging will be passed by.

Standard Brands packaging is one of our most important marketing concerns. We package products in cans, bottles, envelopes, boxes, bags and pails. We utilize paper, cardboard, foil, plastic and a host of other materials to create the more than 1,300 packages for making our products stand out in stores from coast to coast.

In 1975 we made a number of packaging changes in Pine Tree products, Dr. Ballard's, Planters, Fleischmann's Corn Oil Margarine and Blue Bonnet Margarine. In the case of Pine Tree, the entire family of more than 100 packages was given a more unified, brand-name look. Every Standard Brands product package must not only meet merchandising requirements but also government requirements concerning content description, bilingualism, and metrification. In addition, all food packages will eventually feature the new universal coding symbol of the industry.

You will notice that the most important element on every Standard Brands package is the brand name. Everything may change on the package, but the brand name is the product's calling card, its link with the consumer through advertising and reputation.

In the wine and spirits industry, self-service stores are now in the majority. Because of this, spirits and wine packaging is now out front on display for customer selection. Brand preference is influenced greatly by package appearance, and the growing importance of women shoppers.

In a business of change, packaging probably undergoes more change on a continuing basis than any other element in product marketing. Standard Brands packages are constantly measured against competitive packages for eye appeal, convenience and memorability. Colours are researched. Type sizes must be readable. And a host of regulations must be accommodated.

That simple, attractive package that goes home with the consumer must be more than an effective container. At Standard Brands, it must be a standout for continued sales success.

76
78
Canada
52
5
4

At the Consumer Foods Division of Standard Brands Food Company, we're active in keeping Canadians active.

Amateur sport and physical fitness have been associated with the Food Company's consumer products for a number of years. In 1975 we intensified our support for these activities. We moved into the new year as the largest supporter of the 1976 Olympic Games among Canadian food companies.

During the year both Blue Bonnet and Fleischmann's Margarines showed significant market share growth. A new and exciting product, Fleischmann's Egg Beaters, moved into national distribution following a market test launch in 1974. Sales by the end of 1975 were most satisfactory.

These sales successes are convincing proof that the Canadian consumer recognizes the quality and nutritional benefits of Standard Brands products. Major emphasis was given to the fitness theme in our television commercials, print advertisements and point-of-sale merchandising materials.

The Olympic Television purchase will provide support for Fleischmann's products and other major brands through 1976. Fleischmann's Margarine and Egg Beaters proudly display the Olympic Symbol on every package, signifying our official appointment as supplier to the Games.

Our program theme for the Olympic coverage is: "Taking part in the spirit." This theme is used to sum up Standard Brands continuing association with the Aquatic Federation of Canada, the Canadian Amateur Hockey Association, the Canadian Figure Skating Association, and with Participaction —the Canadian movement for personal fitness.

During 1975, sales increases were achieved in many other product categories. For instance, our beverage products performed well in a market that showed little growth. Sales for Fleischmann's Yeast and Magic Baking Powder increased significantly, reacting to a renewal of the home baking trend. Late in the year we acquired "The Tea", a famous Canadian blend which should greatly improve Standard Brands importance in the tea market.

Standard Brands Food Company believes in promoting the value of proper diet and exercise for family fitness. Attractive portable units called, "The Kitchens of Standard Brands," are now set up in major supermarkets to demonstrate Fleischmann's Egg Beaters, Royal Desserts, and other fine Standard Brands consumer products—inviting people to "try before they buy." In every way we're active in keeping Canadians active.

Dr. Ballard's is very fussy about the pet foods it serves.

At Dr. Ballard's Pet Foods, the care and quality control applied in production is at least as stringent as in human foods. There are 31 full-time quality control specialists to make sure.

The highest quality of raw materials is vital. Not only are all materials researched for protein, fat, fibre, trace minerals and palatability, but they are also thoroughly examined for conformance to these standards before being accepted for processing.

Sanitation is of paramount importance in the manufacturing process and, in fact, bacteria counts are monitored and maintained at levels much less than those considered acceptable by government control standards. Dr. Ballard's also considers the quality of the container essential and manufactures its own cans —some 200 million per year. Product quality is assured by complete control throughout all stages of processing.

Dr. Ballard's is Canada's largest manufacturer of pet food and, in 1975, again established new sales records for its dog and cat food product lines.

Good basic communication has played an important role in the growth of Dr. Ballard's and will continue to do so. In 1975 an integrated communication programme, aimed at fostering understanding and dialogue among the many pet related groups, was given top priority.

Pets play an important role in today's society. Understanding this role and ensuring the continued harmony of pets and people are two of the major objectives that will be achieved in the "Canadian Symposium on Pets in Society." The conference is being organized and funded by Dr. Ballard's and will bring together such groups as the Canadian Veterinary Medical Association, the Canadian Federation of Humane Societies, as well as Federal, Provincial and Municipal Government agencies and international authorities. This effort is part of Dr. Ballard's ongoing support for the research and development programmes of the Canadian Veterinary Medical Association.

Professional breeders devote time and effort in the development and improvement of domestic pets. In recognition of their importance in the pet-people community, Dr. Ballard's recently sponsored a meeting that attracted the leaders in the fields of international judging and handling of show dogs. These leaders shared their knowledge with 200 major breeders, all of whom left the meeting with a better understanding of the importance of dialogue on pets, pet handling and, above all, pet nutrition.

In keeping with Dr. Ballard's leadership position in the Pet Food Industry, the company continually seeks to upgrade the quality of its products along with the quality of its communication.

During 1975, television advertising, along with pet care literature and consumer oriented point-of-sale merchandising, emphasized the high quality of Dr. Ballard's products. During 1976 Dr. Ballard's products will utilize Standard Brands Olympic sponsorship to communicate our quality message to millions of Canadians.

The Fleischmann Company Industrial Division: Canada's favourite way to raise bread.

Every working day we make fresh yeast to serve the bakers of Canada. Fleischmann's Bakers Yeast is the living ingredient that is critical to the baking of quality breads and rolls. Each pound contains more than 3,500 billion living cells. You can see how important it is to control the manufacture, distribution, storage and use of yeast for optimum results.

As yeast is a living organism and highly perishable by nature, the selected strains used in Fleischmann's Bakers Yeast are developed with great care, and sustained through each stage of production with stringent quality control. Distribution must be effected speedily and under refrigeration at all times to ensure optimum freshness—and the quality and performance for which Fleischmann's has been known for more than 100 years.

Fleischmann's Bakers Yeast is produced in our plants at Liverpool, LaSalle and Calgary for quick distribution to bakers across Canada. In 1975, The Fleischmann Company invested more than $1 million dollars to replace and modernize the production and control facilities at the LaSalle and Calgary plants. This additional investment will ensure the continued excellence of our product and help to maintain our pattern of growth.

Fleischmann Industrial products are not yeast alone, but cover a broad range of ingredients specially formulated to meet the bakers' needs. These include dough improvers, baking powders, shortenings, malt syrups and specialty products. Each is backed by the traditional Fleischmann's reputation for quality and service.

Although the consumption of bread and baked goods has remained level over the past few years, the market picked up in 1975. And The Fleischmann Company showed a greater increase than the industry. It is expected that the consumption of baked goods will continue to move up in 1976.

Standard Brands Food Service Division: selling quality and service to the Canadian food service industry.

During 1975 our Food Service Division operated within the Fleischmann Company organization.

Now, this growing division is an integral part of the Standard Brands Food Company, and the reorganization was implemented to place greater emphasis on the sales of Food Service Division products to Canadian restaurants and other institutional customers. The product range of the Food Service Division is compatible with products marketed by the Standard Brands Food Company to the consumer market.

During 1975 the Food Service Division achieved significant sales gains on Chase and Sanborn coffees, Tender Leaf Tea and Blue Bonnet Institutional Margarine. Progress was also shown on Planters Peanut Oil, Fleischmann's Corn Oil Margarine reddies, Royal portion pack jams and jellies and Fleischmann's Instant Mashed Potatoes.

Primary emphasis for the new Food Service Division organization will be on increasing the distribution base for key products within the Division, promoting our image as "more than just a coffee company". We do not intend to de-emphasize the importance of coffee but rather to lead from our strength in coffee in achieving the growth objectives for other products within the Division.

The Food Service Division is now positioned for excellent growth within the industry and the long term prospects are excellent.

For Lowney's Limited, it was a year of many significant moves.

In 1975, the confectionery market started to come back, after a 30% decline caused by escalating costs and prices. Lowney's intensified its marketing programmes and increased productivity to be more competitive. As a result, we have maintained and, in some cases, increased our share of market.

It was a year of new advertising emphasis on many of our famous brands, such as Moirs Pot of Gold chocolates, Oh Henry! chocolate bars and Planters nuts. We increased advertising by 50% in 1975, and plan further increases in 1976 to maintain the sales success generated by this mass exposure. Naturally, Lowney's will participate in the Olympic television purchase. Although Lowney's Limited is the organizational name for the Confectionery Division of Standard Brands, it is the brands that have the appeal. Names like Cherry Blossom, Planters, Oh Henry!, Glosettes, Cracker Jack, Bridge Mix, and others, are the names we'll promote to the consumer.

Lowney's also completed moves to new facilities. The first, consolidated Beaver and Planters nut manufacturing in Toronto. Production increased 50%.

Our second significant move was from the old multi-storey Halifax plant for Moirs to the spanking-new Dartmouth plant. The move took place June 28th and, one month later, production of 40,000 boxes of chocolates daily began. The new plant consolidates all box chocolate production for the company under one roof.

1975 was also a year of major merchandising moves directed at the youth market. The spokesman for Lowney's was Bobby Orr and the promotion was "Save and Score." Young hockey players were encouraged to send in Lowney chocolate bar wrappers to win "dream" prizes, like a trip to the 1976 World Hockey Tournament or, a week at the Bobby Orr—Mike Walton Hockey Camp. It was highly successful.

Another sport tie-in was the "Planters Power Play." This promotion featured the Toronto Maple Leafs and once again, was a move in the right direction for sales interest.

Lowney's Limited goes to market with more than 400 confectionery items and some of Canada's tastiest brand names. This strong market coverage, combined with improved production facilities points the way to good growth once again in the "sweet tooth" market.

SOUTHWIND
Superior White Rum
Rhum blanc
40% alc/vol
Acadian
London
DRY GIN
8
OLD CANADA

A flat year for industry. A growth year for our Wine and Spirits Division.

McGuinness Distillers, Acadian Distillers and Central Canadian Distilling showed strong sales growth in 1975. Record sales were achieved despite a domestic spirits market that rose only 1%.

In domestic wines, Calona increased sales in the face of an overall decline in the industry.

Highlights of the year include a 30% sales rise for Central Canadian Distilling in its first full year of operation as a subsidiary. The repackaged C.C.D. Southwind Rum also showed strong market growth.

In the past five years, McGuinness and its companies have more than doubled sales. Today, McGuinness is the fourth largest Canadian distillery Group with strong growth potential for the years ahead.

A high priority is to continue broadening the product base across the country. In 1975, five new products were introduced and distribution improved for both Central Canadian Distillers and Acadian brands. Acadian also benefited from a major repackaging program that rationalized packages into "family" groups. Acadian "400" whisky had its most successful year ever.

McGuinness Silk Tassel Whisky and McGuinness Liqueurs also showed strong growth. A major trend is toward lighter spirits and the Division continues to develop in this area.

1975 was a year of international recognition for the Wine and Spirits Division. The new Sommet Rouge and Sommet Blanc table wines captured a Gold and Silver medal at the prestigious Monde Selection competition. These awards indicate the growing quality image for Calona wines, and the improved stature of domestic wines in Canada. With more and more varietal wines being produced, the future for domestic wines looks promising. A further eleven medals were won by whiskies, vodka, rums and liqueurs.

In 1976, Calona has several new products planned for introduction including a new Marechal Foch varietal, and a full range of wines under the Okanagan Valley Winery label.

McGuinness will introduce several new products under the Fraser Valley Distillers name and will also introduce CN Tower whisky. Advertising emphasis will be directed to whisky brands, liqueurs and vodkas.

Our agency business also grew in 1975. The Division represents many prestigious labels including imported scotches, gin, vodka, rum and liqueurs. We import wines from France, Germany, Spain, Italy, Argentina, Australia and the United States; and beers and ales from Germany, Scotland, England and Poland.

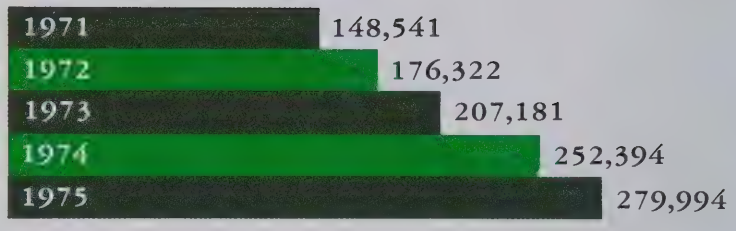
Profile of growth
1971 - 1975

In the five years since 1971, sales of Standard Brands Limited have almost doubled. We have gone through a major reorganization of our plants and facilities, and acquired a number of new companies that were blended in with the Standard Brands family.

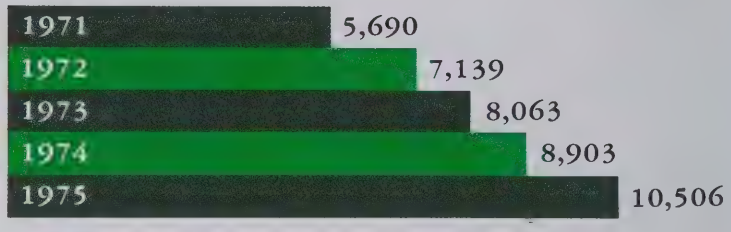
The Company in total since 1971 recorded more than $1 Billion in sales. Net income added up to more than $40 million, and Shareholders' equity increased by 70% in the same period. It was a time of building, and Standard Brands invested more than $21 million from 1971 to 1975 in capital expenditures.

This performance has moved Standard Brands Limited and its subsidiary companies into a major position in the Canadian food processing industry. It is a profile of growth and a structure for the future.

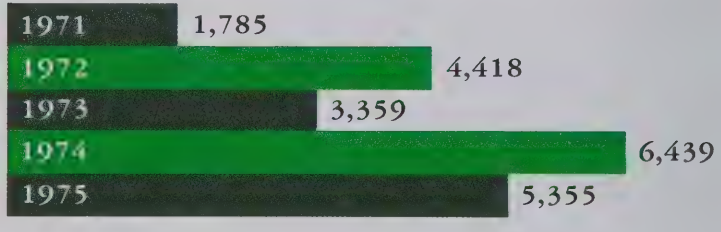
Sales



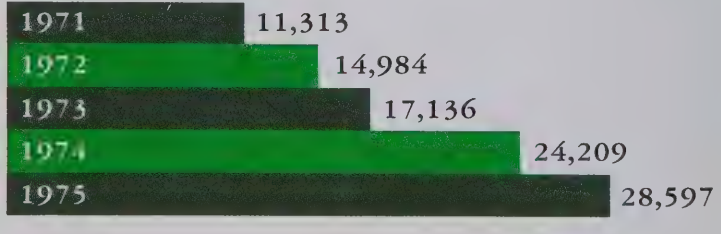
Net Income



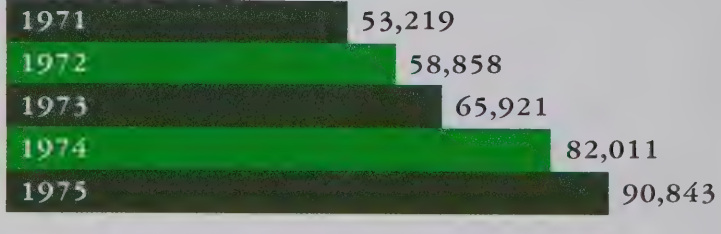
Capital Expenditures



Working Capital



Shareholders' Equity



All amounts in thousands of dollars.

To the Shareholders,
Standards Brands Limited:

We have examined the consolidated balance sheet of STANDARD BRANDS LIMITED (incorporated under the Canada Corporations Act) AND SUBSIDIARIES as of December 31, 1975 and 1974, and the related consolidated statements of income, retained earnings and changes in financial position for the years then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of Standard Brands Limited and subsidiaries as of December 31, 1974 and 1973, and the results of their operations and the changes in their financial position for the years then ended, in accordance with generally accepted accounting principles applied on a consistent basis during the periods.

Arthur Andersen & Co.

ARTHUR ANDERSEN & CO.
February 2, 1976.

Consolidated Balance Sheet

December 31, 1975 and 1974
(in thousands of dollars)

ASSETS

	1975	1974
CURRENT ASSETS:		
Cash	$ 935	$ 3,070
Short-term deposits and marketable securities	124	2,480
Accounts receivable	26,648	29,606
Inventories, at the lower of average cost or market (Note 2)	59,457	54,005
Prepaid expenses	2,598	1,420
Total current assets	$ 89,762	$ 90,581
DEBENTURES RECEIVABLE (Note 3)	$ 2,301	$ 1,390
PROPERTY, PLANT AND EQUIPMENT, at cost:		
Land	$ 1,231	$ 2,064
Buildings	25,307	24,442
Machinery and equipment	45,046	43,013
	$ 71,584	$ 69,519
Less—Accumulated depreciation	29,952	28,766
	$ 41,632	$ 40,753
GOODWILL, at cost less accumulated amortization of $1,324 in 1975 and $955 in 1974. (Note 1)	$ 33,976	$ 34,345
	$167,671	$167,069

Approved on behalf of the Board:

, Director

, Director

LIABILITIES AND SHAREHOLDERS' EQUITY

	1975	1974
CURRENT LIABILITIES:		
Bank loans and other short-term borrowings (Note 4)	$ 31,250	$ 39,185
Current maturities—long-term debt (Note 5)	3,994	3,956
Due to parent and affiliates	2,059	1,914
Accounts payable and accrued expenses	20,733	18,582
Income and other taxes	3,129	2,735
Total current liabilities	$ 61,165	$ 66,372
DEFERRED LIABILITIES	$ 502	$ 459
LONG-TERM DEBT (Note 5)	$ 6,961	$ 10,945
DEFERRED INCOME TAXES	$ 8,058	$ 7,140
MINORITY INTEREST	$ 142	$ 142
SHAREHOLDERS' EQUITY:		
Capital stock—		
Authorized—		
1,000,000 preferred shares (Note 6)		
100,000 common shares, no par value		
Issued and outstanding—		
420,900 preferred shares (Note 6)	$ 8,418	$ 8,418
77,600 common shares	23,931	23,931
Retained earnings	58,494	49,662
	$ 90,843	$ 82,011
	$167,671	$167,069

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Income & Retained Earnings

For the years ended December 31, 1975 and 1974
(in thousands of dollars)

	1975	1974
SALES	$279,994	$252,394
Less—sales and excise taxes	31,499	27,307
NET SALES	248,495	225,087
Cost of sales	163,389	151,600
GROSS PROFIT	85,106	73,487
Selling, administrative and other expenses	67,266	57,654
INCOME BEFORE TAXES on income and extraordinary items	17,840	15,833
Provision for taxes on income	8,034	7,316
NET INCOME BEFORE EXTRAORDINARY ITEMS	$ 9,806	$ 8,517
Extraordinary items (Note 7)	700	386
NET INCOME	$ 10,506	$ 8,903
Retained earnings, beginning of year	49,662	41,990
	$ 60,168	$ 50,893
Preferred dividends	674	231
Common dividends	1,000	1,000
RETAINED EARNINGS, end of year	$ 58,494	$ 49,662

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Financial Position

For the years ended December 31, 1975 and 1974
(in thousands of dollars)

	1975	1974
SOURCE OF WORKING CAPITAL:		
Net income before extraordinary items	$ 9,806	$ 8,517
Depreciation and amortization	2,901	3,389
Deferred income taxes	1,414	402
Total from operations	$ 14,121	$ 12,308
Issue of preferred shares (Note 6)	—	8,418
Dispositions of property, plant and equipment, less debentures receivable of $891 in 1975 and $1,390 in 1974.	1,622	3,471
	$ 15,743	$ 24,197
USE OF WORKING CAPITAL:		
Additions to property, plant and equipment	$ 5,355	$ 6,439
Dividends paid	1,674	1,231
Cost of acquisitions less working capital acquired	342	5,767
Long-term debt (Note 5)	3,984	3,542
Other items—net	—	145
	$ 11,355	$ 17,124
INCREASE IN WORKING CAPITAL	$ 4,388	$ 7,073
WORKING CAPITAL, beginning of year	24,209	17,136
WORKING CAPITAL, end of year	$ 28,597	$ 24,209

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

December 31, 1975 and 1974

1. Summary of Significant Accounting Policies

a) The consolidated financial statements include the assets and liabilities, results of operations and changes in financial position of all subsidiaries.

b) Foreign dollar balances included in current assets and current liabilities have been translated to Canadian dollars at the applicable rate of exchange at the end of the year. The note payable to International Standard Brands Incorporated (the parent company) (Note 5) in United States dollars has been translated at the rate of exchange in effect when the note was issued.

c) Depreciation is charged on plant and equipment on a straight-line basis over the estimated useful lives of the assets.

d) Goodwill acquired after 1970 is being amortized over a period not to exceed forty years. Goodwill acquired prior to October, 1970, is not being amortized and amounts to $22,168,000.

e) Deferred income taxes result substantially from the excess of capital cost allowances claimed for tax purposes over depreciation recorded for book purposes.

2. Inventories

(in thousands of dollars)

Inventories consist of:	1975	1974
Finished goods	$ 21,200	$ 16,625
Work-in-process	24,225	21,875
Raw materials and packing supplies	14,032	15,505
	$ 59,457	$ 54,005

3. Debentures Receivable

Debentures receivable represent part of the consideration received on the sale of various properties and are repayable mainly in 1977, 1980 and 1981.

4. Bank Loans and other Short-term Borrowings

As of December 31, 1975 and 1974, bank loans and other short-term borrowings consisted of the following:

(in thousands of dollars)

	1975	1974
Bank loans	$ 4,250	$ 11,085
Short-term promissory notes outstanding		
—due to Standard Brands Incorporated	27,000	—
—unconditionally guaranteed by Standard Brands Incorporated	—	28,100
	$ 31,250	$ 39,185

5. Long-term Debt

(in thousands of dollars)

	1975	1974
a) **Standard Brands Canada Limited**		
7% Note payable to International Standard Brands Incorporated due in equal semi-annual instalments of $1,575,000	$ 4,725	$ 7,875
b) **Lowney's Limited**		
5.55% Secured building loan, maturing serially to May 1, 1980	1,072	1,254

c) **L. J. McGuinness and Co., Limited**		
8% Loan due December 31, 1983, secured by a first mortgage on real and immovable property and a chattel mortgage on machinery, equipment, goods and chattels of a subsidiary	676	802
7½% Debentures due November 1, 1987, secured by first mortgages and a first floating charge on all real and immovable property owned by the Company and its subsidiaries and all property subsequently acquired, except as otherwise pledged	1,710	1,852
d) **Central Canadian Distilling Corp. Ltd.**		
Loans payable maturing between 1980 and 1985, secured by mortgages and a debenture constituting a floating charge on all assets of the Company, bearing interest rates between 9% and 9⅞%	1,588	1,833
e) **Other**	1,184	1,285
	$ 10,955	$ 14,901
Less—Current maturities	3,994	3,956
	$ 6,961	$ 10,945

6. Preferred Shares

The authorized capital stock of the company includes 1,000,000 cumulative, non-voting, preferred shares of $20 par value to be issued in series.

Of the preferred shares, 425,000 have been designated as 8% Series A, redeemable, of which 420,900 are issued.

7. Extraordinary Items	(in thousands of dollars) **1975**	1974
Extraordinary items, net of applicable income taxes, consist of the following:		
Net gain from sale of plant and relocation of confectionery facility	$ 1,047	$ —
Gain (loss) on disposition of properties	(347)	386
	$ 700	$ 386

8. Statutory Information

a) Interest on long-term debt aggregated $1,038,000 in 1975 and $1,327,000 in 1974.

b) There were 14 directors and 14 officers for the year ended December 31, 1975. Aggregate remuneration of directors (as directors) and officers (as officers) was $29,675 and $568,280 respectively. There were 5 officers who were directors in 1975.

9. Anti-Inflation Act

The Company is subject to the Anti-Inflation Act and related regulations. In all material respects, the company is in compliance with this legislation and is monitoring its activities to ensure continued compliance.

Corporate Officers

Gaetan C. Morrissette	*Chairman of the Board*
Gilbert C. Clarke	*Deputy Chairman*
Martin F. C. Emmett	*President and Chief Executive Officer*
Vern J. Housez	*Vice-President and President, Standard Brands Food Company*
Douglas W. Lauder	*Vice-President and President, Lowney's Limited*
Thornton B. Lounsbury	*Vice-President—Administration*
John R. MacDonald	*Vice-President and President, Wine and Spirits Division*
James F. O'Neil	*Vice-President and President, The Fleischmann Company*
H. F. Powell	*Vice-President—Finance*
Bernard Sarrazin	*Vice-President—Personnel and Industrial Relations*
Pierre Bachand	*Secretary*
Simon Gulden	*General Counsel*
Peter F. Winstanley	*Treasurer*
Raymond F. Wright	*Comptroller*

Management Committee; (*bottom, left to right*) H. F. Powell, Martin F. C. Emmett, Thornton B. Lounsbury; (*top, left to right*) James F. O'Neil, Vern J. Housez, Bernard Sarrazin, Douglas W. Lauder, John R. MacDonald.

Board of Directors

Gilbert C. Clarke Montreal, Quebec	*Deputy Chairman,* *Standard Brands Limited*
Frank M. Covert, Q.C. Halifax, Nova Scotia	*Partner, Stewart, MacKeen & Covert*
Paul Desmarais Montreal, Quebec	*Chairman and Chief Executive Officer, Power Corporation of Canada Limited*
Martin F. C. Emmett Montreal, Quebec	*President and Chief Executive Officer, Standard Brands Limited*
Matthew S. Hannon, Q.C. Montreal, Quebec	*Partner, Ogilvy, Cope, Porteous, Montgomery, Renault, Clarke & Kirkpatrick*
Vern J. Housez Montreal, Quebec	*Vice-President* *Standard Brands Limited*
F. Ross Johnson New York, N.Y.	*President* *Standard Brands Incorporated*
John T. Johnson, Q.C. Toronto, Ontario	*Partner, Borden & Elliot*
Dr. David S. R. Leighton Banff, Alberta	*Director, The Banff Centre*
John R. MacDonald Toronto, Ontario	*Vice-President* *Standard Brands Limited*
Gaetan C. Morrissette Montreal, Quebec	*Chairman of the Board* *Standard Brands Limited*
C. Richard Sharpe Toronto, Ontario	*Vice-President Merchandising* *Simpsons Sears Limited*
Henry Weigl New York, N.Y.	*Chairman of the Board* *Standard Brands Incorporated*
Ben Wosk Vancouver, British Columbia	*President and Chief Executive Officer, Wosk's Ltd.*

Director Emeritus
Joel S. Mitchell
Greenwich, Connecticut

For Dogs
Dr.Ballard's
Made with fresh coffee
McGUINNESS
CAFÉ DE PARIS
liqueur
McGUINNESS
SILK TASSEL
PLANTERS
Mixed Nuts
50% peanuts
Oh Henry!
Roasted Peanuts
Arachides
Blue Bonnet
MARGARINE
Acadian
London
DRY GIN
CHERRY BLOSSOM